

Contract Number: 5191

Vendor: COLUMBIA HOSPITALITY INC

Subject: Golf Course Management Agreement

Department: Parks

File Class: GS50-01-11 Rev. 3 General

Begin Date: 1/1/2013

End Date: 12/31/2016

Review Date: 7/1/2016

Vault Date:

Comments: 1st Amendment 9/22/15

**FIRST AMENDMENT TO
GOLF COURSE MANAGEMENT AGREEMENT**
Gold Mountain Golf Club

This **FIRST AMENDMENT TO GOLF COURSE MANAGEMENT AGREEMENT** ("**First Amendment**") is entered into on the later of the two dates set forth below by and between **THE CITY OF BREMERTON**, a Washington municipal corporation, (hereinafter referred to as "**Owner**"), and **COLUMBIA HOSPITALITY, INC.**, a Washington corporation, (hereinafter referred to as "**Manager**").

WHEREAS, Owner and Manager are parties to that certain Golf Course Management Agreement dated October 12, 2012 (the "**Agreement**") under which Manager manages and operates the facilities and other improvements commonly known as the Gold Mountain Golf Club (the "**Club Facilities**"); and

WHEREAS, the parties agree that an evaluation of the revenues and expenses of the operations of the Club Facilities is necessary to ensure that the Club Facilities are adequately funded; and

WHEREAS, recent audits have raised issues regarding the handling of cash at the Club Facilities and staff concerns about oversight of the monthly financial reporting; and

WHEREAS, one year will provide time to evaluate the impacts on the Club Facilities, if any, of the increase in golf course properties in Manager's portfolio; and

WHEREAS, the parties desire to amend the Golf Course Management Agreement as set forth in this First Amendment to, among other things, extend the Term of the Agreement for one additional year and to make other related amendments;

NOW THEREFORE, for mutual consideration, Owner and Manager agree as follows:

1. **Renewal.** The second sentence of Section 3.01 of the Agreement entitled "Initial Term and Renewal" is hereby replaced with the following:

"Upon expiration of the Initial Term, this Agreement shall be renewed for a one year term beginning January 1, 2016 and expiring on December 31, 2016 (the '**Renewal Term**,' and together with the Initial Term, the '**Term**'). Any additional renewals, if any, shall be mutually agreed upon in writing."

2. **Incentive Management Fee.** A new second paragraph to Section 4.02 of the Agreement entitled "Incentive Management Fee" is hereby added as follows:

Notwithstanding the foregoing, during the Renewal Term, and in addition to the Base Management Fee, Owner shall pay Manager for services provided under this Agreement an annual Incentive Management Fee equal to forty percent (40%) of the Club Facilities' Net Operating Income in excess of Five Hundred Thousand and No/100 Dollars (\$500,000.00). The annual Incentive Management

Fee shall be computed and paid quarterly on a cumulative year-to-date basis based on year-to-date figures set forth in the Monthly Statements (with any overpayments for the year to date credited against the Base Management Fee) and a final computation and payment shall be made with the Annual Statements provided hereunder.

3. Capital Improvements and Capital Reserve Account. Section 6.02 of the Agreement entitled "Capital Improvements and Capital Reserve Account" is hereby amended, to change the amount of deposit to the capital reserve account from four percent (4%) to three percent (3%), to read as follows:

(a) Owner acknowledges and agrees that as the Club Facilities age, certain Capital Improvements will be required to maintain and operate the Club Facilities' facilities (including the buildings, grounds, FF&E and operating supplies) in a manner consistent with the Operating Standard. To facilitate the funding of such needed Capital Improvements at the Club Facilities, Manager shall deposit, as a minimum, an amount equal to three percent (3%) of the Gross Revenue in capital reserve account established by Manager for the Club Facilities in a bank or banks designated by Manager, subject to Owner's approval (the "Capital Reserve Account").

4. Additional Terms and Conditions. This First Amendment is subject to the following additional terms and conditions applicable only during the Renewal Term:

a) Debt Service Guarantee. In the event Manager operates the Club Facilities for the full 2016 Operating Year and the Net Operating Income of the Club Facilities for the full 2016 Operating Year is less than the Club Facilities' annual bond debt service obligations for 2016 (which the parties agree total \$413,920), Manager shall compensate Owner the difference. This obligation to compensate the Owner is subject to, and shall be waived to the extent that Manager's operation of the Club Facilities' is materially and adversely affected by, (i) any of the conditions set forth in Section 2.05 of the Agreement, (ii) a taking by eminent domain or (iii) a recession (i.e. two consecutive quarters of GDP decline or as otherwise defined by the U.S. National Bureau of Economic Research) or other similar significant macro-economic event that affects the greater Puget Sound region (e.g. the dot-com / post 9-11 recession of 2001 or the "great recession" of 2007 – 2009), that in each case have a material adverse effect on the Club Facilities and their operation.

b) Cash Handling and Reporting. Manager agrees that its on-site and corporate personnel will work with Owner to resolve the cash handling and financial reporting concerns.

c) Leveraging Manager's Golf Course Portfolio. As Manager's portfolio of golf course properties that it manages continues to grow, the parties agree:

i. Manager will continue to make every commercially reasonable effort to maintain the Club Facilities' golf course usage and rating status of the Club Facilities at similar levels as they have been during the Initial Term, and

ii. Budget impacts to the Club Facilities as a result of any shared resources are to be evaluated, adjusted and compensated for, as appropriate, using economy of scale for shared costs to be reflected in the Annual Plan and Budget for Operating Year 2016.

d) Golf Cart Lease. Manager shall oversee and manage the golf cart pad lease between Owner and Alexander Cart Rentals, Inc. (the "**Pad Lease**") through the current lease term expiring on December 31, 2015 and through Operating Year 2016 if the Pad Lease term is extended through 2016. Revenue received from the Pad Lease will be recognized as Gross Revenues under the Agreement and on the Club Facilities' financial statements.

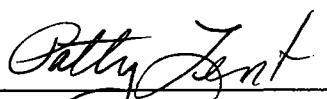
On or about October 1, 2016, the parties will review and evaluate the performance and impacts of the conditions set forth above and discuss potential modifications and/or extensions of the Agreement.

5. Effect of First Amendment; Capitalized Terms. All other terms of the Agreement not specifically amended herein shall remain in full force and effect. Capitalized terms as defined in Section 1.04 of the Agreement entitled "Definitions" not otherwise defined in this First Amendment shall have the meanings ascribed to such terms in the Agreement.

6. Duplicate Originals. This document is executed in duplicate originals.

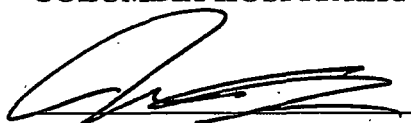
IN WITNESS WHEREOF, the parties hereto have executed this First Amendment to Golf Course Management Agreement on the day and year written below.

CITY OF BREMERTON


By: Patty Lent
Its: Mayor

Date: 09-22-2015

COLUMBIA HOSPITALITY, INC.


By: John Oppenheimer
Its: Chief Executive Officer

Date: SEP 22, 2015

GSB:7304588.1

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